

Q&A - AMERICA'S ENERGY SECURITY TRUST FUND

What about good actors?

Carbon Capture and Storage (CCS) is an approach to mitigating climate change by capturing CO₂ from large point sources such as power plants and subsequently storing it away safely instead of releasing it into the atmosphere. We know how to capture and store CO₂. The AESTF Act will contribute to the development of CCS at the national level and encourage other technologies to reduce greenhouse gas emissions.

Because we want to encourage zero-emissions technologies, the bill would provide a refundable credit on all taxes paid for an entity that uses carbon capture and storage technology.

What about other Greenhouse Gases?

The bill requires the Secretary of the Treasury in consultation with the Secretary of Energy to design and implement a tax on other greenhouse gases like Methane, Nitrous Oxide and other gases known to cause global warming. The goal is to ensure that for any entity taxed, a viable alternative to emitting these gases must exist in order to ensure that the tax will change polluting behaviors without simply being punitive. One benefit of including other greenhouse gases in the AESTF Act is that it can reduce the cost of reducing greenhouse gases. A recent study by researchers at MIT shows that early reductions in greenhouse gas emissions can be more inexpensively achieved if these other gases are included in the tax base.

How much money could it raise?

Emissions of carbon dioxide in 2005 were estimated to be just over 6 billion mtCO₂ (metric tons of carbon dioxide) according to the Environmental Protection Agency (EPA).

Had a carbon tax of \$15 per ton of CO₂ been in place in 2005, the tax would have raised \$89.2 billion.

Doesn't this just contribute to "big government"?

No. The system to regulate carbon emissions is already in place-the Internal Revenue Code. Unlike cap and trade or a "carbon fee" a separate regulatory body would not need to be created, the IRS would simply collect the tax. Because of this, it would be easy to administer-only about 2,000 entities would be taxed.

A carbon tax is just an energy tax and energy taxes are regressive. Wouldn't this tax hurt lower-income individuals the most?

While the carbon tax is a regressive tax, the revenue would be used to counteract the regressive effects of the payroll tax. The Brookings World Resources Institute study mentioned above demonstrates that this is a distributionally neutral proposal. Additionally, because those at the top of the income scale have bigger houses, travel more and use more energy, they would contribute much more to this fund. In 2005, the most recent year for which data is available, the top 20% of the income scale spent an average of \$3,182 on gasoline, or 3.6 times as much as the \$882 spent by the poorest 20% of households. In other words, the highest-earning 20% accounted for 32% of the total, while the lowest 20% contributed just 9%.

What about other countries?

The United States is certainly not the only nation contributing to global warming. However, with only 5% of the world's population, in 2005 the U.S. was responsible for 22% of the CO₂ emitted worldwide from burning fossil fuels. This bill recognizes that the U.S. must lead the way but that the other major emitting countries must follow.

Won't a payroll tax rebate jeopardize the Social Security Trust Fund?

No. The AESTF Act uses the payroll tax to define a class of people who would be eligible for the rebate. Any rebate money comes from the America's Energy Security Trust Fund and not the Social Security Trust Fund.